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In the Matter of	)	
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Federal-State Joint Board on	)	
Universal Service	)	CC Docket No. 96-45
	)	

The Association of Communications Enterprises (“ASCENT”), through undersigned counsel, and pursuant to *Public Notice*, DA 02-376, published in 67 Fed. Reg. 13332 (March 22, 2002), hereby responds to the comments of other parties on the request of AT&T Corp. (“AT&T”) that the Commission “permit it to contribute based on its projected revenues for the current quarter, subject to true up with actual revenues, instead of contributing to universal service based on historical revenues from two quarters prior.”<sup>1</sup> In addition to ASCENT, the Verizon telephone companies (“Verizon”), Verizon Wireless, BellSouth Corporation (“BellSouth”), WorldCom, Inc. (“WorldCom”), and Sprint Corporation (“Sprint”) have also filed comments on AT&T’s request.

<sup>1</sup> *Public Notice*, DA 02-376 (March 22, 2002).

These commenters generally criticize AT&T's request, suggesting that it is an inappropriate vehicle for waiver. The specific criticism appears to be that "the circumstances AT&T describes in its waiver request are not 'special'",<sup>2</sup> and that "the circumstances prompting AT&T to seek the requested relief are not unique to AT&T."<sup>3</sup> These criticisms, however, only serve to highlight the severity of the situation confronting not only AT&T, but numerous interexchange carriers. The comments note that "it is widely recognized that interstate revenues are declining."<sup>4</sup> As Sprint observes, "[a] diminishing contribution base is not unique to AT&T. Many – if not most – existing IXC's are experiencing declining revenues."<sup>5</sup> WorldCom likewise admits that there are "hundreds of long distance carriers operating today, and virtually all of them experiencing the same declining revenue trend that is affecting AT&T . . . It is well-understood by the Commission and the marketplace that long distance revenues are in steep decline, and few if any long distance carriers are left untouched."<sup>6</sup>

As the Commission is well aware, carriers with declining revenues pay an effectively higher percentage contribution than their competitors with stable or increasing revenues. And while the comments make clear that this is far from a unique circumstance, with numerous interexchange carriers finding themselves in the arduous position facing AT&T, other carriers benefit from the lag time inherent in the present USF contribution mechanism. Specifically, carriers such as the former

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<sup>2</sup> Comments of Sprint, p. 2.

<sup>3</sup> Comments of WorldCom, p. 8.

<sup>4</sup> Id.

<sup>5</sup> Comments of Sprint, p. 2.

<sup>6</sup> Comments of WorldCom, p. 14.

Bell Operating Companies which are just beginning to provide intraLATA, in-region long distance in states following receipt of Section 271 approval – as well as those carriers with rapidly increasing

revenues, receive a financial advantage commensurate with their pace of growth by contributing less than their actual collected end-user revenues would otherwise require.

BellSouth urges that “AT&T’s request be summarily denied.”<sup>7</sup> And Verizon, which likewise opposes AT&T’s request, asks the Commission to delay addressing this pressing concern until the Agency has concluded its pending rulemaking proceeding in which the method of assessing universal service contributions will be further addressed.<sup>8</sup> Unfortunately, maintaining the status quo, as urged by BellSouth, or delaying action, as urged by Verizon, would only result in the continuation of the above-referenced economic imbalance. Presumably, this imbalance would exist for the entire period during which the Commission considers industry comment on proposals which may result in a significant alteration to the methodology pursuant to which universal service contributions are made.

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<sup>7</sup> Comments of BellSouth, p. 1.

<sup>8</sup> Comments of Verizon, p. 4.

The most sweeping proposed modification to the current USF contribution methodology, the adoption of a proposed connection-based assessment, “would have the effect of making local exchange carriers and mobile service providers responsible for a larger portion of the universal service funding, the majority of which is currently paid by interexchange carriers.”<sup>9</sup> If the Commission’s tentative conclusion is ultimately adopted, carriers such as Verizon and BellSouth, as well as wireless providers such as Verizon Wireless, would contribute to USF support on a more equitable basis than under the present system.<sup>10</sup> Simply because this theoretical possibility may come to fruition at some future date, however, the Commission should not turn a blind eye to a very real and very serious dilemma presently confronting not only AT&T but every interexchange carrier contributing to USF support on a declining revenue base.

Fortunately, there is no need for the Commission to await the conclusion of the upcoming phase of its universal service inquiry to remedy the situation described by AT&T. The Commission has already sought comment on appropriate means of revamping the current USF contribution mechanism, and in connection therewith, has received from numerous parties comments

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<sup>9</sup> Federal-State Joint Board on Universal Service, 1998 Biennial Regulatory Review – Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Service, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, Telecommunications Services for Individuals with Hearing and Speech Disabilities, and the Americans with Disabilities Act of 1990, Administration of the North American Numbering Plan and North American Numbering Plan Cost Recovery Contribution Factor and Fund Size, Number Resource Optimization, Telephone Number Portability, Notice of Proposed Rulemaking, CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, FCC 01-145 (rel. May 8, 2001) (“*Universal Service Streamlining NPRM*”), ¶ 36.

<sup>10</sup> As the Commission notes, “the growth of Commercial Mobile Radio Service (CMRS) appears to be causing a significant migration of interstate telecommunications revenues from wireline to mobile wireless providers.” Thus, Verizon Wireless, like the former Regional Bell Operating Companies, is also deriving an economic benefit to the extent USF contributions are being, and will continue to be, overpaid by interexchange carriers.

demonstrating the benefits of calculating the quarterly percentage contribution factor based upon revenue projections, with actual USF contributions to be submitted based upon current collected revenues (as well as the economically inappropriate consequences of refusing to do so). As the *Universal Service Streamlining NPRM* notes, a significant record has been generated on this issue. The Commission has also recently reiterated its observations that “modify[ing] the current system to rely on projected revenue data . . . could help to address the concerns of some commenters regarding the impact on certain contributors of reliance on historical revenues and make contribution assessments more reflective of current market conditions,”<sup>11</sup> and that “[a] current-revenue

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<sup>11</sup> Id., ¶ 85.

assessment methodology could have similar benefits to a projected-revenue assessment methodology.”<sup>12</sup>

Noting that “[t]he Commission has recognized that there are serious problems with the current system to recover the costs associated with federal universal service support,” Sprint “urges the Commission to expeditiously resolve the pending USF reform rulemaking.”<sup>13</sup> ASCENT likewise urges an expeditious resolution of the pending USF reform rulemaking. Action by the Commission only at the conclusion of that proceeding, however, will come too late for those interexchange carriers which are effectively subsidizing the USF contributions of the former Regional Bell Operating Companies, wireless providers and other carriers with increasing revenue bases.

Given the admittedly significant proposed alteration to the Commission’s current USF methodology (as well as the accompanying billing system and other preparatory activities the proposal will likely engender), it is unlikely that the USF reform rulemaking could be implemented in an abbreviated time frame. To avoid subjecting interexchange carriers with declining revenues to the economic hardships demonstrated by AT&T in its request, ASCENT continues to believe that the appropriate course of action would be to address the problem by adopting on an accelerated basis the proposal presently pending pursuant to which calculation of universal service contributions would be predicated upon projected or current, rather than historic, revenues. The public interest would not be served by delaying relief to interexchange carriers in favor of maintaining an inequitable status quo. Such a result is not consistent with Section 254’s requirement that telecommunications carriers should contribute to universal service support mechanisms on an

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<sup>12</sup> Id., ¶ 87.

<sup>13</sup> Comments of Sprint, p. 4.

equitable and nondiscriminatory basis. In keeping with the spirit and purpose of Section 254, ASCENT also urges the Commission that, in the event the USF contribution mechanism is ultimately restructured to provide for a connection-based methodology, carriers must be permitted to utilize projected or current revenues to calculate USF contributions not only until the effectiveness of the change but also throughout the totality of any transition period decreed by the Commission.

Respectfully submitted,

**ASSOCIATION OF COMMUNICATIONS  
ENTERPRISES**

By:                     /s/                      
Charles C. Hunter  
Catherine M. Hannan  
HUNTER COMMUNICATIONS LAW GROUP  
1424 Sixteenth Street, N.W., Suite 105  
Washington, D.C. 20036  
(202) 293-2500

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Its Attorneys